

Press Release

YFC Projects Private Limited

February 12, 2021

Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs.526.97 Cr. (Enhanced from Rs.515.66 Cr.)
Long Term Rating	ACUITE A- / Outlook: Negative (Reaffirmed)
Short Term Rating	ACUITE A2+ (Reaffirmed & Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.515.66 crore bank facilities of YFC Projects Private Limited. The outlook is '**Negative**'.

Further, Acuite has assigned a short term rating of '**ACUITE A2+**' (read as **ACUITE A-two plus**) on the Rs.11.31 crore bank facilities of YFC Projects Private Limited.

About the company

Gurgaon-based, YFC Projects Private Limited (YPPL) was incorporated in 1986 and is engaged in undertaking Engineering, Procurement and Construction (EPC) projects (Roads & Highways, High-Rise Buildings, Metro-Rail projects and Sewerage Networking & Treatments Plants) for the State and Central government. The company is being managed by Mr. Rajinder Yadav, Mr. Davinder Kumar Yadav, Mr. Yoginder Yadav and Mr. Manish Yadav, who have extensive experience in the said industry. YPPL has entered into joint ventures with reputed players such as Chongqing International Construction Corporation (CICO), State Construction Integrated Works (SCIW), MBZ and Zhejiang Teams International (ZTI) to help bid for high value projects.

Analytical Approach

For arriving at this rating, Acuite has taken a standalone view of the business and financial risk profile of YFC Projects Private Limited.

Key Rating Drivers

Strengths

• Experienced Management and established market position

YPPL is engaged in infrastructure development for around four decades with its major operations spread over Haryana, Delhi (NCR), Rajasthan, Jharkhand, Madhya Pradesh, Odisha, Jharkhand and Meghalaya. The company is being promoted by Mr. Rajinder Yadav, Mr. Davinder Kumar Yadav, Mr. Yoginder Yadav and Mr. Manish Yadav. Founders of the company, Mr. Rajinder Yadav and Mr. Davinder Yadav, have a vast experience of over 35 years in the aforementioned industry. The management is ably supported by a well-qualified and experienced team of professionals. The extensive experience of the promoters in the industry has helped the company build its market presence and maintain healthy relations with its customers and suppliers. Projects funded by Multilateral Development Institutions (MDIs) and Central Government of India are only undertaken by the company, which minimizes the counterparty risk.

Acuite believes YPPL will continue to benefit from experienced management and its established market position over medium to long term.

- **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by healthy net worth, healthy debt protection metrics, and low gearing. The net worth of the company stood at Rs. 120.37 crore as on 31 March, 2020 as against Rs.102.98 crore as on 31 March, 2019.

The gearing level (debt-equity) of the company increased to 1.06 times as on 31 March 2020 from 0.62 times as on 31 March 2019, this is on account of debt-funded capital expenditure been done during FY2020. The total debt of Rs.127.59 crore outstanding as on 31 March, 2020 comprises Rs.65.52 crore as a term loan, Rs.5.79 crore as unsecured loans, and Rs.56.29 crore as a working capital limit from the bank. Owing to increase in finance cost, there has been deterioration in the debt protection metrics but it continues to remain healthy marked by interest coverage ratio (ICR) of 2.81 times in FY2020 as against 3.41 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.25 times in FY2020 and 0.46 times in FY2019. Debt/EBITDA stood at 2.27 times in FY2020.

Acuite believes that the financial risk profile of the company is expected to remain healthy backed by above average net cash accruals.

- **Healthy order book position**

The company has been able to maintain healthy order book position with an unexecuted order of Rs.1729.91 crore as on 30 September 2020, with two customers contributing more than 85 percent of the orders. Operations of the company were impacted due to protests and riots in Delhi-NCR region during Q4FY2020 and lockdown due to COVID-19. This led to slight deterioration in the operating income and it stood at Rs.490.80 crore in FY2020 as against Rs.530.23 crore in FY2019. Operating income was significantly impacted during H1FY2021, it stood at Rs.102.79 crore and company incurred a net loss of Rs.10.73 crore during the same period.

Going forward, Acuite believes that operating income of the company is likely to get back to pre-COVID levels in FY2022.

Weaknesses

- **Working Capital intensive nature of Operations**

Operations of the company remain working capital intensive marked by Gross Current Asset (GCA) of 163 days in FY2020 as compared to 149 days in FY2019. This is on account of debtors' collection period of 53 days in FY2020 as against 37 days in FY2019, inventory holding period of 38 days in FY2020 (provisional) as against 40 days in FY2019, deposits with government authorities of ~Rs.28 crore and unbilled revenue to the tune of ~Rs.54 crore. Current ratio of the company stood moderate at 1.45 times as on 31 March, 2020.

Acuite believes that the working capital operations of YPPL will continue to remain intensive on account of high debtors' collection period.

- **Competitive and fragmented industry**

YPPL is engaged as an EPC contractor. The company faces intense competition from the presence of several mid to large sized players in the said industry. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts and susceptibility to inherent cyclicity in the road sector. However, in face of such competitive pressures, Acuite believes that YPPL is well positioned on account of its longstanding relationship with well-established international players in the infrastructure industry and the long track-record and experience of its promoters spanning nearing three decades.

Liquidity Profile: Adequate

The liquidity position of the company is adequate marked by moderate net cash accruals to its maturing debt obligations. YPPL generated cash accruals of Rs.32.33 crore in FY2020 against debt obligation of Rs.15.51 crore for the same period. However, there has been stretch in its working capital management during FY2021 as reflected by average fund-based working capital utilization of ~99 percent for the last 6 months ended November, 2020.

Going forward, Acuite believes that the ability of the company to efficiently manage its working capital cycle over the medium term will be very critical.

Rating Sensitivities

- Lower than expected operating performance
- Significant decline in profitability margins
- Any further deterioration in working capital cycle and liquidity of the company

Outlook: Negative

Outlook of YPPL continues to remain 'Negative' on account of expected deterioration in its liquidity position. The outlook may be revised to 'Stable' in case YPPL registers significant growth in its revenue while efficiently managing its working capital cycle. The rating may be downgraded in case of significantly lower than expected net cash accruals or stretch in liquidity; thereby resulting in deterioration in the financial risk profile or debt protection metrics of the company.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	490.80	530.23
PAT	Rs. Cr.	17.39	17.77
PAT Margin	(%)	3.54	3.35
Total Debt/Tangible Net Worth	Times	1.06	0.62
PBDIT/Interest	Times	2.81	3.41

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Any Material Covenants

Not Applicable

Applicable Criteria

- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application of Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
03-Feb-2021	Term Loan	Long Term	1.87	ACUITE A-/Negative (Reaffirmed)
	Cash Credit	Long Term	38.50	ACUITE A-/Negative (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A-/Negative (Reaffirmed)
	Inland/ Foreign Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	225.00	ACUITE A2+ (Reaffirmed)
	Bid Bond Bank Guarantee	Short Term	3.00	ACUITE A2+ (Reaffirmed)

	Bank Guarantee	Short Term	14.30	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	29.30	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	70.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	63.69	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A2+ (Reaffirmed)
11-Nov-2019	Term Loans	Long Term	2.56	ACUITE A- /Stable (Reaffirmed)
	Cash Credit	Long Term	38.50	ACUITE A- /Stable (Reaffirmed)
	Dropline Overdraft	Long Term	12.00	ACUITE A- (Withdrawn)
	Cash Credit	Long Term	20.00	ACUITE A-/Stable (Assigned)
	Inland/ Foreign Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	225.00	ACUITE A2+ (Reaffirmed)
	Bid Bond Bank Guarantee	Short Term	6.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	14.30	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	29.30	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	70.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	60.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A2+ (Assigned)
06-Sep-2019	Term Loans	Long Term	2.56	ACUITE A- /Stable (Reaffirmed)
	Cash Credit	Long Term	38.50	ACUITE A- /Stable (Reaffirmed)
	Dropline Overdraft	Long Term	12.00	ACUITE A- /Stable (Reaffirmed)
	Inland/ Foreign Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	225.00	ACUITE A2+ (Reaffirmed)
	Bid Bond Bank Guarantee	Short Term	6.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	14.30	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	29.30	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.80	ACUITE A- /Stable (Reaffirmed)
18-June-2018	Term Loan	Long Term	3.36	ACUITE A- /Stable (Upgraded)
	Cash Credit	Long Term	38.50	ACUITE A- /Stable (Upgraded)

	Dropline Overdraft	Long Term	12.00	ACUITE A- /Stable (Assigned)
	Inland/ Foreign Letter of Credit	Short Term	20.00	ACUITE A2+ (Upgraded)
	Bank Guarantee	Short Term	225.00	ACUITE A2+ (Upgraded)
	Bid Bond Bank Guarantee	Short Term	6.00	ACUITE A2+ (Upgraded)
	Bank Guarantee	Short Term	14.30	ACUITE A2+ (Upgraded)
	Bank Guarantee	Short Term	29.30	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A2+ (Assigned)
15-June-2017	Term Loan	Long Term	4.22	ACUITE BBB+/ Stable (Upgraded)
	Cash Credit	Long Term	38.50	ACUITE BBB+/ Stable (Upgraded)
	Bank Guarantee	Short Term	225.00	ACUITE A2 (Upgraded)
	Letter of Credit	Short Term	20.00	ACUITE A2 (Upgraded)
	Bank Guarantee	Short Term	10.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A2 (Assigned)
31-March-2016	Cash Credit	Long Term	38.50	ACUITE BBB/ Stable (Assigned)
	Term Loan	Long Term	4.57	ACUITE BBB/ Stable (Assigned)
	Bank Guarantee	Short Term	150.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A3+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.87	ACUITE A-/Negative (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	38.50	ACUITE A-/Negative (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A-/Negative (Reaffirmed)
Inland/ Foreign Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	225.00	ACUITE A2+ (Reaffirmed)
Bid Bond Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	14.30	ACUITE A2+ (Reaffirmed)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	29.30	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	70.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A2+ (Reaffirmed)

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